



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
AUDITOR-CONTROLLER

December 20, 2013

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **FIVE ACRES THE BOYS' AND GIRLS' AID SOCIETY OF LOS ANGELES COUNTY – A RESIDENTIALLY BASED SERVICES PROGRAM PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a review of Five Acres The Boys' and Girls' Aid Society of Los Angeles County (Five Acres or Agency), which covered a sample of expenditure transactions from Program Year (PY) 2011-12 (December 2011 to November 2012). The Department of Children and Family Services (DCFS) contracts with Five Acres to provide the Residentially Based Services (RBS) Program to children placed in Rate Classification Level 12 or 14 Group Homes, and their families environmentally based interventions, including intensive mental health treatments, family finding, and the Wraparound Approach Services, to shorten their stay in Group Homes and obtain permanency. The RBS Program is a two-year pilot demonstration project with the California Department of Social Services (CDSS) in conjunction with their RBS Reform Project.

The purpose of our review was to determine whether Five Acres' RBS Program expenditures were allowable and reasonable in providing the necessary care and program services. We also evaluated the adequacy of the Agency's accounting records, internal controls, and their compliance with the contract and applicable guidelines.

DCFS paid Five Acres approximately \$2.2 million for PY 2011-12. Five Acres provides services in the Fifth Supervisorial District.

Results of Review

Five Acres recorded and deposited DCFS payments timely, and prepared its Cost Allocation Plan (Plan) in compliance with their County contract, and used the Plan to allocate shared costs appropriately. In addition, Five Acres' RBS PY 2011-12 Semi-Annual Expenditure Reports reconciled to the Agency's financial records. However, Five Acres charged the RBS Program \$700 for an unallowable expense.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Five Acres and DCFS. Five Acres' attached response indicates that they agree with our findings and will repay DCFS \$700 for the unallowable expenditure. DCFS will work with Five Acres management to ensure that our recommendations are implemented.

We thank Five Acres management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:EB:sk

Attachment

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, Department of Children and Family Services
Andrew Crowell, Board Chair, Five Acres
Chanel W. Boutakidis, Chief Executive Officer, Five Acres
Public Information Office
Audit Committee

**FIVE ACRES THE BOYS' AND GIRLS' AID SOCIETY OF LOS ANGELES COUNTY
RESIDENTIALLY BASED SERVICES PROGRAM
CONTRACT COMPLIANCE REVIEW
PROGRAM YEAR 2011-12**

CASH/REVENUE

Objective

Determine whether Five Acres The Boys' and Girls' Aid Society of Los Angeles County (Five Acres or Agency) recorded revenue in their financial records properly, deposited cash receipts into their bank accounts timely, and that bank account reconciliations were reviewed and approved by Agency management timely.

Verification

We interviewed Five Acres personnel, and reviewed the Agency's financial records and November 2012 bank reconciliations.

Results

Five Acres recorded revenue in their financial records properly, deposited their Residentially Based Services (RBS) payments timely, and Agency management reviewed and approved bank reconciliations timely.

Recommendation

None.

EXPENDITURES

Objective

Determine whether Five Acres' Cost Allocation Plan (Plan) complied with their County contract, and if expenditures charged to the RBS Program were allowable, properly documented, and accurately billed.

Verification

We reviewed the Agency's Plan and its financial records for 35 non-payroll expenditures, totaling \$53,004, charged to the RBS Program from February through November 2012. We also interviewed Agency personnel.

Results

Five Acres prepared its Plan in compliance with their County contract, and allocated shared costs appropriately. However, Five Acres charged the RBS Program \$700 to reimburse the Agency for money stolen by one of its clients. The County contract does not allow agencies to bill the RBS Program for theft.

Recommendations

Five Acres The Boys' and Girls' Aid Society of Los Angeles County management:

- 1. Repay the Department of Children and Family Services \$700.**
- 2. Ensure allowable expenditures are charged to the Residentially Based Services Program.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Five Acres' fixed assets and equipment purchased with RBS funds were used for the Program and adequately safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory list. We also performed a physical inventory of four items purchased with RBS funds to verify the items exist and were being used for the Program.

Results

Five Acres adequately safeguarded and used the items purchased with RBS funds for the Program.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether Five Acres appropriately charged payroll costs to the RBS Program and maintained personnel files as required.

Verification

We traced the payroll expenditures for 17 employees, totaling \$33,014 for November 2012, to the Agency's payroll records and time reports. We also interviewed staff, and reviewed 17 personnel files.

Results

Five Acres appropriately charged payroll costs to the RBS Program, and maintained personnel files as required.

Recommendation

None.

SEMI-ANNUAL EXPENDITURE REPORT

Objective

Determine whether Five Acres' Program Year (PY) 2011-12 (December 2011 to November 2012) RBS Semi-Annual Expenditure Reports reconciled to the Agency's financial records.

Verification

We compared Five Acres' PY 2011-12 RBS Semi-Annual Expenditure Reports to their financial records.

Results

Five Acres' RBS PY 2011-12 Semi-Annual Expenditure Reports reconciled to the Agency's financial records.

Recommendation

None.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior Auditor-Controller monitoring review.

Verification

We verified whether Five Acres implemented the four recommendations from the February 11, 2013 monitoring review.

Results

Five Acres implemented all recommendations from the February 11, 2013 monitoring report.

Recommendation

None.



November 7, 2013

Ms. Wendy Watanabe
Auditor Controller
County of Los Angeles
Department Auditor-Controller
500 West Temple Street, Room 525
Los Angeles, CA 90012-3873

Re: Five Acres - The Boys' and Girls' Aid Society of Los Angeles County – A Residentially Based Services (RBS) Program Provider - Contract Compliance Review.

Dear Ms. Watanabe:

We are in receipt of the report from the Auditor Controller relating to their review of the contract between Five Acres and the Department of Children and Family Services (DCFS), covering the program year 2011-12. This letter will address the findings indicated in their report and provides our corrective action plan.

Expenditures

Recommendations:

1. Repay the Department of Children and Family Services \$700
2. Ensure allowable expenditures are charged to the Residentially Based Services Program.

Response:

The charge of \$700 was a reimbursement for money stolen from a "special friend" by a client. The client had spent most of his time in the RBS program only recently being discharged into our more general residential program. The decision to charge the program was made relative to the client's history. Five Acres acknowledges at the time of the incident the client was residential and not RBS and will return the \$700 to the Department of Children and Family Services for Los Angeles County.

Five Acres management works diligently to ensure only allowable expenditures are charged to the Residentially Based Services Program. Management acknowledges in this instance that the program was charged incorrectly. We will review the auditor controller standards with program management to ensure future program costs are handled appropriately.

Respectfully,

A handwritten signature in black ink, appearing to read 'Daniel Braun', written in a cursive style.

Daniel Braun
Chief Financial Officer